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Patent 'Reform': What We Need First Is a Role Reversal

January 26, 2016

Guest Post 

by [Kristen Osenga](#), Professor of Law, University of Richmond School of Law; Senior Scholar, Center for the Protection of Intellectual Property

**This post is part of the [ACSblog Symposium on Patent Law Reform](#).*

I have often argued that we do not need so-called patent “reform.” But I’ve had a change of heart. We absolutely need patent reform, but not the kind proposed in the [Innovation Act, H.R. 9](#), and [the PATENT Act, S. 1137](#). To get the real kind of reform that will encourage a strong and vibrant innovation economy, we first need a role reversal. Let me explain.

If you ask any first-year law student about the roles of Congress and the courts, the likely answer is that Congress makes the laws and the courts interpret them. That answer, although simplistic and lacking nuance, is essentially correct. What’s happening currently in patent law, however, is the exact opposite, and innovation is going to suffer as a result. Courts, especially the U.S. Supreme Court, are creating brand new rules, making up patent law from whole cloth. Congress, on the other hand, is considering bills that micromanage the courts, trampling on areas traditionally left to judicial discretion and seeking to procedurally stack the deck against individual inventors and small companies who own patents.

To illustrate the above point, let’s consider two issues: (1) patentable subject matter eligibility and (2) the customer suit exception.

Many years ago, Congress spoke plainly in 35 U.S.C. §101 about the types of inventions that were eligible for patenting: processes, machines, manufactures, and compositions of matter. The courts initially (and correctly) interpreted that provision broadly as including “anything under the sun made by man” and limited by only a few judicially created exceptions. Recently, and devoid of any legislative intervention, the courts have been chipping away at the types of inventions eligible for patent protection. After the Supreme Court’s 2014 decision in [Alice Corp. v. CLS Bank Int’l](#), many commentators have suggested that [the realm of inventions that can actually be patented has significantly diminished](#). The *Alice* opinion represents a sea change, or significant alteration, in the previously existing law . . . and yet it occurred entirely within the courts.

The activity surrounding the customer suit exception, on the other hand, demonstrates how Congress is trying to undermine judicial discretion in favor of bright line rules that make it systematically harder for individual inventors and small companies to defend their patents. In appropriate circumstances, judges traditionally will stay a patent infringement suit against a small retailer or end-user customer in favor of a suit against a manufacturer when the infringement results from the customer using the manufacturer’s product. This makes sense, for example, when a patent owner sues a mom-and-pop coffee shop for infringement based on the coffee shop’s use of an infringing wireless router. The company that manufactures and sells the router is in a much better position than the coffee shop to dispute whether or not the router is infringing the patent. The courts have been staying cases like these for years, and it’s working well.

Nonetheless, to address a perceived problem caused by the abusive litigation behavior of a very small number of plaintiffs, Congress is considering two bills (the Innovation Act and the PATENT Act) that include *mandatory* stay provisions for suits against “covered customers.” The justification for these provisions is that they codify something the courts should be doing anyway – staying suits against small retailers in favor of litigation against the manufacturers of infringing products. The problem is that the legislation uses an incredibly overbroad definition of “covered customer” and takes away judges’ important discretion to decline to stay suits in cases where a stay would not be appropriate.

For example, under the proposed bills, a multi-billion dollar smartphone company would be considered a “covered customer” for an infringement suit based on a component that the smartphone company sourced from an overseas manufacturer. As a result, judges would be forced to stay a suit against the smartphone company in favor of a suit against the overseas manufacturer, even



if doing so would not be in the interest of justice and would make it substantially harder for the patent owner to protect her property. This is especially harmful for small companies that already have a hard enough time defending their patents against infringement by bigger domestic companies, let alone overseas manufacturers. The courts are doing a good job in this area already, and it makes no sense for Congress to tie their hands and take away their discretion to act in the interest of justice.

Compare the customer suit exceptions in the Innovation Act and the PATENT Act with some of the provisions in the [**STRONG Act, S. 632**](#). Rather than curtailing judicial discretion, the STRONG Act addresses real problems in patent law, such as the absurdly low level of proof required to invalidate a patent at the U.S. Patent and Trademark Office and the difficulty of proving induced infringement of a patent. This is where congressional action is actually needed in patent law.

We need patent reform, but it has to be the right kind of reform. Strong patents are good for innovation, good for the economy, and good for America. To have strong patents, we need Congress to stop trying to handcuff judges, and we need judges to stop making up bad law. Only if both parties start doing the jobs they were meant to do will we get the kind of patent reform we actually need.